INFLATION:
Its Unmentioned Causes

BY JUNE GREM

IF AN OBJECTIVE history of our century is ever written, it will probably be known as the age of double talk, double think and double cross. Nowhere is this more evident than in the realm of economics. Take inflation for example. Inflation is one of the foremost problems facing our nation and yet very few people are aware of its real causes. This confusion is not accidental. Our thinking has been twisted and inverted on every subject, including economics. For this reason, very little of what most economists have to say should be believed. Our primary problem is getting the correct information and then recognizing it when we see it.

Erroneous economic teachings have brought the United States to near bankruptcy and inflation has reduced the buying power of our money, savings and life insurance by seventy five percent. If present trends continue, our dollar will be worthless before 1980.

What is inflation? Webster's Third New International Dictionary defines inflation as:

> "An increase in the volume of money and credit relative to available goods resulting in a substantial and continuing rise in the general price level."

This definition is adequate as we shall later see. It should be obvious that as the population increases, more goods and services will be needed. Therefore, the increase in money should be a normal phenomenon. Under our present system, however, every person added to the population through birth or immigration means additional debt because more money must be borrowed to feed, house and clothe them. Every product that is manufactured, all crops grown and every service rendered also requires additional debt. Instead of our technological progress bringing prosperity, it adds an additional debt burden which will eventually bring our nation to the point of collapse. Isn't this a crazy system?

How it works: As our debt and interest burden escalates, our money supply decreases. This is the incredible part of the dilemma establishment economists aren't telling us about.

Volume of Money: Economists continually tell us that monetary inflation is caused because the government prints more and more paper money. Actually, there really isn't much of an increase in the volume of money because "money" is a small part of the entire system. Also instead of "more and more dollars" chasing fewer and fewer goods, as inflation advances there is less and less money available to spend since more money is needed to just purchase necessities. It isn't the "printing press money" that is causing inflation. It is the *increase in debt and corresponding high cost of interest which causes inflation.*

Differences between Money and Credit: In order to understand the functions of money and credit, we must understand their differences. Our money supply consists of coins, currency and demand deposits which are held by the commercial banks. This amounts to only about ten percent of the nation's total debt, which is now slightly over $3 trillion. As of January 31, 1976 the currency in circulation amounted to about $75 billion. Coins accounted for $9 billion and demand deposits held by commercial banks were $245 billion. Thus our total money supply for this period was $329 billion. These figures do not include the $598 billion federal debt nor do they include loans made by banks to individuals, state and

local governments and the business community.

Now imagine a nation with a $3 trillion debt tab having a money supply of only about $300 billion. Something is obviously wrong. Where did the "money" come from to create a $3 trillion debt when only $330 billion in money exists?

The Importance of Credits: The important part of the definition are the words "*an increase in credits*." This is the crux of the problem because it is here that we find the central cause of monetary inflation. It exists because of the unholy power given to banks by politicians to create money credits out of thin air via loans. This $3 trillion debt was created by banks through their sleight of hand manner in producing credits. Not only does the debt exist, but it is self perpetuating as *interest is extracted on every dollar loaned.* At the time a loan is made, the interest does not exist. In order to repay the principal, more money credits must be created. Over 60 cents out of every dollar in our money supply is now used to pay off this huge debt. Inflation exists not because the government is printing "more and more money" but because banks are creating more and more credits causing ever increasing interest costs. This process goes on and on until a point will be reached where the interest will be so great there will not be enough money to repay the principal and debt can no longer be extended. When that point is reached everything will collapse.

Inflation: An Old Problem: Actually inflation is really nothing new. We have had a degree of monetary inflation since the early 1900's but it became more noticeable after World War II, and especially so in the last few years. In the United States and other industrial nations, inflation has now reached a relatively advanced stage. For example, the total debt in the United States increased from $450 billion at the end of World War II to our present $3 trillion. This fantastic increase was not accompanied by a comparable boost in either production or income during this period. Also Federal budget deficits may reach as high as $75 to $80 billion by the end of 1976.

A more comprehensive definition of inflation comes from the *Investment Bulletin* of the Institute for Economic Research, Great Barrington, Mass. in its January 5, 1976 bulletin:

> "Inflation occurs when either a commercial or Federal Reserve bank creates purchasing media, not for representing consumable things offered in the markets, but instead for acquiring investment-type assets."

Here we have the primary cause of the problem. The "investment-type assets" which the banks are busily acquiring consist of government bonds, securities and loans to borrowers for the purchase of things not offered in the markets. Banks contribute to inflation every time they purchase a government bond and pay for it by making a bookkeeping entry. These same banks have not obtained their funds through legitimate capital earnings or from additions to their savings deposits. November of 1975 will illustrate the volume of these transactions. The commercial banking system increased its investment-type assets by $12.6 billion during that month alone. The assets acquired were mostly U.S. government bonds and securities "purchased" by these financial institutions. These purchases were created through the mechanism of fractional reserve banking which permit banks to issue loans (create credits) at a ratio of about $10.00 of loans for every $1.00 of reserves.

Private-Monopoly System

We can see that monetary inflation (the increase in the volume of credit) is due to two factors. One is our usurious, private-monopoly money system. The other is due to the unrelenting determination by a profligate Congress to continue deficit spending. Every appropriations bill involves debt. Your debt and mine. Remember too that "our government" must *borrow* all of its money and credit from the banker-owned Federal Reserve System. Every dollar appropriated by Congress will eventually cost the taxpayer hundreds of

times that amount. The debt is usually represented by government bonds which are purchased at face value by banks for their special discounted price of the cost of creating a bookkeeping entry, regardless of denomination. This lucrative market for government securities enables the Open Market Committee of the Federal Reserve Bank to purchase billions in securities. For example, in 1972 they obtained $738 billion of bonds for less than $1 billion. This profitable market in government bonds amounts to between $2 and $3 billion a day in business for this elite group.*

Solutions? Any so-called solution which may be proposed by our present crop of economists or politicians is doomed to failure. The solutions will not work because they ignore the basic causes of the problem; an unsound money system.

Until the general public understands the problem and demands reform, we will continue to flounder in this man-made financial chaos. The solution, simply stated is a monetary system based on public credit instead of private debt and the private monopoly of our money supply. Public credit is the combined wealth of the nation which the bankers (or government) had absolutely no part in creating. This consists of our fantastic industrial capacity, agricultural output, natural resources and the multitudes of services rendered by millions of individuals.

Since all of our money and credit arises out of debt, we should ask whether this is a legal or legitimate debt. The bankers reap billions of dollars of illicit profits out of this outrageous situation and the middle classes are facing confiscation of property and extinction. The situation is even further compounded through the power of commercial banks to create the money and credit they lend to their borrowers.

Nation is Mortgaged

In all civilized countries gambling debts are illegal and uncollectable at law. How then can an entire nation become mortgaged to repay an illegal, immoral, usurious and fraudulent debt arising out of the irrational fractional reserve money system? Furthermore, property acquired by theft, fraud and illegality does not confer even color of title. The banks should be prosecuted for grand larceny and their illegally-acquired assets confiscated.

Our Future: The inevitable outcome of this debt-money system will be a severe depression of gigantic magnitude, impoverishment of millions, multiple bankruptcies and economic chaos. This will probably lead to the final phase of the bankers revolution; a cashless society and total enslavement. Is this price worth paying to keep the present satanic world planners in power?

The only solution to the problem is to outlaw fractional reserve banking and require all banks to maintain 100% reserves at all times. Also the Federal Reserve Act and all of its subsequent amendments must be *repealed, rescinded and revoked.* An outraged public must then force the government to get its money the same way the banks now get theirs. They create it. The government not only has the right, but the DUTY to issue the nation's money and credit. The banks have illegally usurped this sovereign power. If the government issued its own money and credit for the nation, there would be no national debt since the government would not borrow its money from a private bank to redeem the crime-makers bonds. Our money would be issued by the government in accordance with the commercial needs of the nation so as to prevent the ever-present boom-and-bust cycle.

It would not take a Constitutional Amendment to outlaw the Federal Reserve Act; merely an act of Congress. It is now up to an outraged public to force Congress to repeal this barbaric system before the horrors of a cashless society operating within a world monetary system become a grim reality.

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*Hearings before the Committee on Banking and Currency, House of Representatives, H.R. 10265, Oct. 2 and 3, 1973, p. 116.